

**PUBLIC DISCLOSURE**

MAY 3, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WASHINGTON SAVINGS BANK

30 MIDDLESEX STREET  
LOWELL, MA 01852-2197

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WASHINGTON SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory."**

This rating is based on the following five performance criteria which are evaluated within the performance context section of this Public Evaluation: (1) Net Loan to Deposit Ratio, (2) Credit Extended Inside of the Assessment Area, (3) Distribution of Credit Among Different Incomes, (4) Geographic Distribution of Loans and (5) Review of Complaints and Fair Lending. The following summary highlights the results of each performance criteria.

Washington Savings Bank's average net loan to deposit ratio from June 30, 1997 through March 31, 1999 is 62.6 percent and considered to meet the standard of satisfactory performance. The net loan to deposit ratio has been on an increasing trend for the two-year period under review and stood at 74.3 percent on December 31, 1998. Comparing this ratio to other similarly situated institutions on December 31, 1998 indicates that Washington Savings Bank is among the highest in its peer group.

The volume of lending within the assessment area is considered to meet the standards of satisfactory performance. In 1997 and 1998, Washington Savings Bank granted a total of 290 mortgage loans, of which 218, or 75.2 percent were within its assessment area. In addition, the bank was ranked among the top ten leading lenders for mortgage loan originations within its assessment area, despite strong competition from other banks and mortgage companies.

The bank displays a strong willingness to lend to borrowers all incomes, particularly those with low and moderate-incomes. Of the 218 mortgage loan originations from within its assessment area, 95, or 43.6 percent are to borrowers of low and moderate-incomes. Washington Savings Bank is ranked eighth in lending to low and moderate-income borrowers in 1997 compared to over 200 large and small financial institutions and mortgage companies within the assessment area. An exceeds satisfactory performance rating was granted in this criterion.

The bank's performance in lending within the various census tracts within its assessment area is also considered to exceed the standards of satisfactory performance. In 1997, the bank granted 38.1 percent of its loans in low and moderate-income census tracts. This

volume exceeds that of all other HMDA reportable lenders who granted 19.4 percent of its loans in the same income census tracts.

Washington Savings Bank's Fair Lending performance is considered reasonable, and no CRA related complaints have been received by the institution over the past two years. In addition, the bank's qualified investments and services were reviewed and found to be reasonable.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Washington Savings Bank is a \$135 million institution chartered under the laws of the Commonwealth of Massachusetts in 1892. Headquartered in Lowell, Massachusetts, the bank operates two additional full service branch offices located in Dracut and Tyngsborough, Massachusetts. The Dracut office was opened on October 3, 1997 and the Tyngsborough office was opened on October 31, 1998. Both offices provide drive up windows that are open one hour earlier and one hour later than lobby hours. The bank's main office in Lowell is located in a low-income census tract.

The bank's business hours are considered reasonable and convenient to the local community. All offices offer extended hours during the week and are opened on Saturdays. Each office is equipped with Automated Teller Machines (ATMs) that are linked to the NYCE and CIRRUS networks. In addition, Washington Savings Bank is a member of the SUM Program, a surcharge-free alliance of several financial institutions including over 1,000 ATMs throughout Massachusetts. The bank's ATM/Debit cardholders can avoid ATM surcharges by conducting business at the alliance members' ATMs bearing the SUM logo.

Management of the bank is committed to providing customers with a community-oriented approach to banking. A variety of loan and deposit products are offered at Washington Savings Bank. Among the deposit products are the Basic Checking NOW account and the Basic Savings account. These low cost products only require a minimum of \$10.00 to open each account. There are no monthly charges or fees on the Basic Savings account. A \$1.00 statement fee and a \$0.25 per check fee are charged on the Basic Checking account. These charges are waived for qualified individuals.

Loan products consist of first and second mortgages, construction loans, automobile loans, home equity loans/lines of credit, passbook loans, personal loans and overdraft protection. Total loans, net of unearned income, was \$78,739,000, or 58.6 percent of Washington Savings Bank's \$134,320,000 total assets on March 31, 1999. Residential mortgage loans secured by one to four family properties comprise 54.6 percent of the total loan portfolio, followed by consumer installment loans at 30.8 percent, and multi-family residential properties at 6.7 percent.

The following table details the bank's loan portfolio as a percent of total loans and leases, net of unearned income. This information was obtained from the Call Report as of March 31, 1999.

<b><i>Loan Portfolio as of March 31, 1999</i></b>	
Type of Loans	%
Construction & Land Development	2.9%
Residential Real Estate	

a. 1-4 Family Mortgages	54.6%
b. Home Equity Lines	1.2%
Multifamily	6.7%
Commercial Loans	
a. Commercial Real Estate	1.4%
b. Commercial & Industrial Loans	2.4%
c. Agricultural Loans	0.0%
Consumer Loans	
a. Credit Cards & Related Plans	0.0%
b. Loans to Individuals	30.8%
Other Loans	
a. Loans to Financial Institutions	0.0%
b. Municipal Loans	0.0%
c. Farmland Real Estate Loans	0.0%
d. Other	0.0%
<b>Total</b>	<b>100.0</b>

Source: Call Report as of March 31, 1999.

The Federal Deposit Insurance Corporation (FDIC) conducted the last examination for compliance with the Community Reinvestment Act on May 26, 1998. That examination resulted in a CRA rating of Satisfactory. Other than the bank's small size and limited staff, there are no factors that would inhibit its ability to meet the assessment area's credit needs.

### **Description of Assessment Area**

The CRA requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. Management conducted an extensive analysis of its loan and deposit portfolio in an effort to determine the areas best serviced by this institution. As a result, the assessment area increased since the previous examination. Washington Savings Bank currently defines its assessment area as the City of Lowell, and the towns of Dracut, Tyngsborough and Dunstable, Massachusetts; and the town of Pelham, New Hampshire. In addition, the bank includes the census tracts 3173.00 (North Chelmsford), 3181.00 and 3182.00 (Westford) in its assessment. The Massachusetts communities are located in Middlesex County while Pelham, New Hampshire is located in Hillsborough County. All of these municipalities are located within the Lowell "Metropolitan Statistical Area" (MSA).

In total there are 35 census tracts within the bank's assessment area; 5 low-income, 13 moderate-income, 16 middle-income and 1 upper-income. The City of Lowell contains 24, or 68.6 percent, of the assessment area's 35 census tracts. All of the low and moderate-income census tracts are located within Lowell. The one upper-income census tract is located in the Town of Dunstable.

According to 1990 U.S. Census Data, the bank's assessment area has a combined population of 164,544 and a total of 62,133 housing units. Of the total housing units, 32,139 or 51.7 are owner occupied, 28,343 or 45.6 percent are rental units. The weighted average median housing value in the assessment area is approximately \$131,535.

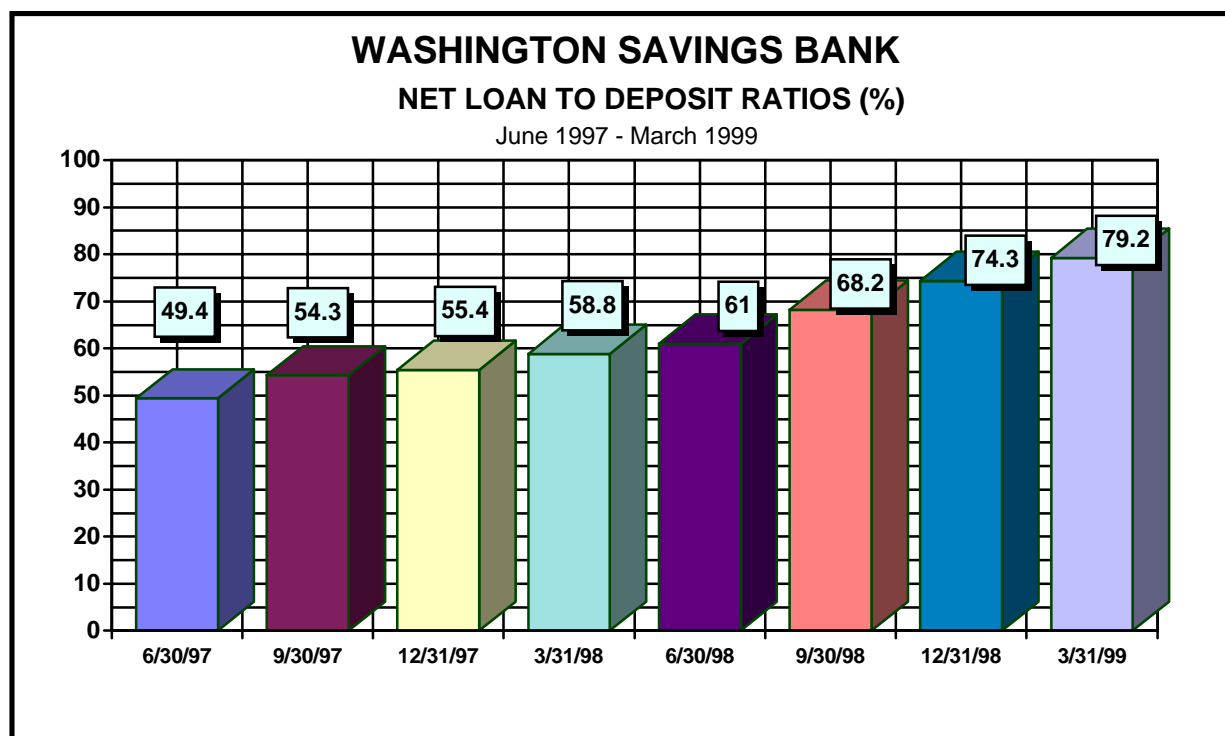
Competition within the area is primarily from Lowell Cooperative Bank, Lowell Five Cents Savings Bank, Jeanne D'Arc Credit Union, Butler Bank and Enterprise Bank and Trust Company. The market influence from these institutions appears to be significant and as a result serves to keep the bank's rates and services offered very competitive. For the purpose of this examination, these five institutions are considered to be Washington Savings Bank's peer group.

Aggregate institutions, for lending performance purposes only, are comprised of over 200 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have either originated or purchased residential mortgage and/or home improvement loans within the bank's assessment area. This information was generated by PCI Services, CRA WIZ Software. Washington Savings Bank was ranked tenth for overall lending within its assessment area with 1.94 percent of the market share. Those institutions which were ranked within the top five for overall lending within the bank's assessment area include: Jeanne D'arc Credit Union (7.07%), CountryWide Home Loans, Inc. (6.02%), Republic Bankcorp Mortgage, Inc. (3.73%), Fleet National Bank (3.66%) and Fleet Mortgage Corporation (3.42%). All of these institutions are substantially larger in asset size than Washington Savings Bank.

## **PERFORMANCE CRITERIA**

### **1. NET LOAN TO DEPOSIT ANALYSIS**

A comparative analysis of Washington Savings Bank's quarterly net loan-to-deposit ratio was conducted during this examination. The analysis utilized the previous eight quarters of the Federal Financial Institutions Examination Council (FFIEC) Call Report data for this institution. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of June 30, 1997 through March 31, 1999, is 62.6 percent, and is considered to meet the standards of satisfactory performance. Detailed below is the net loan to deposit ratio for each quarter under review. The ratio has been on an increasing trend over the past eight quarters with a low of 49.4 percent on June 30, 1997 and a high of 79.2 percent on March 31, 1999. Refer to the following graph:



The loan portfolio increased 91.5 percent from June 30, 1997 to March 31, 1999. This is primarily due to the bank's Indirect Lending program with car dealers, which was introduced in October of 1997. Washington Savings Bank's Indirect Lending Program is designed to enable automobile dealers to finance vehicle purchases of credit-worthy customer.

As mentioned in the performance context section of this report, the bank's assessment area is very competitive. The following table includes the five institutions that are considered to be the bank's peer group. The table details the institutions' asset size, deposits, net loans, net loan to asset ratio and net loan to deposit ratio as of December

31, 1998. The institutions are listed with the net loan to deposit ratio in descending order. Washington Savings Bank's net loan to deposit ratio is among the highest. Refer to the following table.

<i><b>Institution</b></i>	<i><b>Assets (000's)</b></i>	<i><b>Deposits \$(000)</b></i>	<i><b>Net Loans \$(000)</b></i>	<i><b>Loan to Assets</b></i>	<i><b>Loan to Deposit</b></i>
Lowell Cooperative Bank	56,065	48,672	45,119	80.5%	92.7%
<b>Washington Savings</b>	<b>126,811</b>	<b>96,455</b>	<b>71,688</b>	<b>56.5%</b>	<b>74.3%</b>
Butler Bank	48,570	42,301	30,290	62.4%	71.6%
Enterprise Bank & Trust	360,481	318,453	209,978	58.2%	65.9%
Jeanne D'Arc Credit Union	348,126	298,761	196,453	56.4%	65.8%
The Lowell Five Cent Savings	471,609	398,970	199,307	42.3%	50.0%

Based on the above information, the bank's asset size and resources, the level of competition, and the credit needs of the assessment area, the bank's net loan to deposit ratio is considered reasonable and meets the standard for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Washington Savings Bank's 1997 and 1998 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's delineated assessment area. During this period, the bank originated 290 HMDA-reportable loans totaling approximately \$31,371,000. Of this amount, 218 loans, or 75.2 percent of the number, totaling \$21,704,000, or 69.2 percent of the dollar amount, was originated in the bank's assessment area.

By number, Lowell accounted for the largest number of originations with 52.8 percent, followed by Dracut with 11.0 percent and Tyngsborough with 4.1 percent. Lowell also accounted for the largest dollar volume of originations with 46.6 percent, followed by Dracut with 10.5 percent and Tyngsborough with 4.1 percent. These three communities are where the bank has an office location.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.



<b>HMDA-Reportable Loans by Number of Originations</b>						
<b>Location</b>	<b>1997</b>		<b>1998</b>		<b>Totals</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Lowell	70	47.6	83	58.0	153	52.8
Dracut	19	12.9	13	9.1	32	11.0
Tyngsborough	4	2.7	8	5.6	12	4.1
Pelham, NH	7	4.8	3	2.1	10	3.5
Chelmsford	5	3.4	4	2.8	9	3.1
Westford	0	0.0	2	1.4	2	0.7
Dunstable	0	0.0	0	0.0	0	0.0
<b>Inside Assessment Area</b>	<b>105</b>	<b>71.4</b>	<b>113</b>	<b>79.0</b>	<b>218</b>	<b>75.2</b>
Outside Assessment Area	42	28.6	30	21.0	72	24.8
<b>Total</b>	<b>147</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>290</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

<b>HMDA-Reportable Loans by Dollar Amount of Originations</b>						
<b>Location</b>	<b>1997</b>		<b>1998</b>		<b>Totals</b>	
	<b>\$ (000)</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Lowell	7,708	47.3	6,910	45.8	14,618	46.6
Dracut	1,658	10.2	1,641	10.9	3,299	10.5
Tyngsborough	350	2.1	954	6.3	1,304	4.1
Pelham, NH	749	4.6	370	2.4	1,119	3.6
Chelmsford	514	3.2	449	3.0	963	3.1
Westford	0	0.0	401	2.7	401	1.3
Dunstable	0	0.0	0	0.0	0	0.0
<b>Inside Assessment Area</b>	<b>10,979</b>	<b>67.4</b>	<b>10,725</b>	<b>71.1</b>	<b>21,704</b>	<b>69.2</b>
Outside Assessment Area	5,305	32.6	4,362	28.9	9,667	30.8
<b>Total</b>	<b>16,284</b>	<b>100.0</b>	<b>15,087</b>	<b>100.0</b>	<b>31,371</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

Market statistical data for calendar year 1997 compiled by PCI Services, Inc. CRA Wiz indicated that Washington Savings Bank ranked tenth in market share for HMDA-reportable originations and purchases throughout its assessment area. The bank's market share was 1.9 percent. Those lenders ranking higher included one credit union and two banks of much larger asset size, as well as several national mortgage companies, which are not comparable to Washington Savings Bank.

Based on all of the above information, it is evident that a substantial number and dollar amount of the bank's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Lowell Metropolitan Statistical Area (MSA), which are \$59,100 for 1997, and \$59,200 for 1998. These income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show by number and dollar amount HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

#### **Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels By Number**

<b>Borrower Income Level</b>	<b>Family Households</b>		<b>1997</b>		<b>1998</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< 50%	10,444	25.3	16	15.2	24	21.2	40	18.4
50 - 79%	8,269	20.0	28	26.7	27	23.9	55	25.2
80 - 119%	10,898	26.4	26	24.8	29	25.7	55	25.2
> = 120%	11,715	28.3	27	25.7	29	25.7	56	25.7
NA	0	0	8	7.6	4	3.5	12	5.5
Total	41,326	100.0	105	100.0	113	100.0	218	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

#### **Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels By Dollar Amount**

Borrower Income Level	Family Households		1997		1998		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	10,444	25.3	817	7.5	1,323	12.3	2,140	9.9
50 - 79%	8,269	20.0	2,104	19.2	2,158	20.1	4,262	19.6
80 - 119%	10,898	26.4	2,309	21.0	2,919	27.2	5,228	24.1
> = 120%	11,715	28.3	3,221	29.3	4,038	37.7	7,259	33.4
NA	0	0	2,528	23.0	287	2.7	2,815	13.0
Total	41,326	100.0	10,979	100.0	10,725	100.0	21,704	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

In 1997 and 1998, the bank extended 40 loans to low-income borrowers representing 18.4 percent by number, and 9.9 percent by dollar amount of the total loans for the assessment area. Although this falls below the 25.3 percent of low-income households within the assessment area, the bank has increased its lending to low-income borrowers by 50.0 percent (by number), and 61.9 percent (by dollar amount) from 1997 to 1998. In addition, the bank extended 55 loans to moderate-income borrowers, representing 25.2 percent of loan originations by number as shown above. These loans represent 19.6 percent by dollar amount of the bank's total originations within its assessment area. The number of loans is comparable to the 20.0 percent of moderate-income households within the assessment area.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area and to that of a peer group. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. As mentioned in the performance context the peer group consists of five similarly situated financial institutions that granted loans within the assessment area. The banks in the peer group are: Lowell Cooperative Bank, The Lowell Five Cent Savings Bank, Jeanne D'Arc Credit Union, Butler Cooperative Bank, and Enterprise Bank and Trust Company. The most recent data available for this analysis relates to calendar year 1997 and is presented in the following table.

**1997 Lending Within the Assessment Area to Borrowers of Different Income Levels Compared to All Other HMDA-Reporters and the Peer group**

Borrower Income Level	Washington Savings Bank	All Other Reporters	Peer Group
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	#	%	#	%	#	%
< 50%	16	15.2	474	8.9	65	10.6
50 - 79%	28	26.7	1,224	23.1	166	27.0
80 - 119%	26	24.8	1,365	25.7	189	30.7
> = 120%	27	25.7	1,247	23.5	180	29.3
NA	8	7.6	999	18.8	15	2.4
Total	105	100.0	5,309	100.0	615	100.0

Source: HMDA Data for the period 1/1/97 to 12/31/97.

The distribution of the bank's residential loans to low-income borrowers is favorable when compared to that of all other HMDA-reporters within the assessment area and the peer group. As shown above, the bank's percentage of lending to borrowers of low-income was 15.2 percent which greatly exceeds that of the aggregate with 8.9 percent and the peer group with 10.6 percent to low-income borrowers in the assessment area.

Washington Savings Bank's HMDA-reportable loans within the assessment area, to moderate-income borrowers accounted for 26.7 percent by number. This percentage exceeds that of the aggregate which granted 23.1 of total loans to moderate-income borrowers and is also in line with the peer group, which originated 27.0 percent of loans to moderate-income borrowers.

The distribution of the bank's loans to low and moderate-income borrowers by dollar amount showed a distribution similar to that of the number when compared to that of the aggregate and the peer group. The bank's lending by dollar amount was again in line with or exceeding that of the aggregate and peer group.

In 1997, Washington Savings Bank ranked eighth in lending to low and moderate-income borrowers within its assessment area. The bank originated 44 HMDA-reportable loans to borrowers in these income groups, capturing 2.5 percent of the market. It is important to note that as mentioned before the bank ranked tenth in overall lending in the assessment area.

The distribution of HMDA-reportable lending by borrower income in comparison to the number of family households, the aggregate and the peer group, demonstrates the bank's willingness to lend to borrowers of all income levels, particularly those of low and moderate-income. Therefore, Washington Savings Bank is considered to exceed the standards of satisfactory performance in this criterion.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 35 census tracts: 5 or 14.3 percent designated as low-income; 13 or 37.1 percent as moderate-income; 16 or 45.7 percent as middle-income; and 1 or 2.9 percent as upper-income.

The following table provides a breakdown by number and dollar amount of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by  
Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1997		1998		Total	
	#	%	#	%	#	%	#	%
Low	522	1.6	8	7.6	7	6.2	15	6.9
Moderate	6,640	20.7	32	30.5	27	23.9	59	27.1
Middle	24,339	75.7	65	61.9	79	69.9	144	66.0
Upper	638	2.0	0	0.0	0	0.0	0	0.0
Total	32,139	100.0	105	100.0	113	100.0	218	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

**Dollar Volume of HMDA-Reportable Loans Within the Assessment Area by  
Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1997		1998		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	522	1.6	561	5.1	635	5.9	1,196	5.5
Moderate	6,640	20.7	4,527	41.2	1,998	18.6	6,525	30.1
Middle	24,339	75.7	5,891	53.7	8,092	75.5	13,983	64.4
Upper	638	2.0	0	0.0	0	0.0	0	0.0
Total	32,139	100.0	10,979	100.0	10,725	100.0	21,704	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/98

As shown in the above table, 15 loans, representing 6.9 percent of the number of the bank's total mortgage loans within the assessment area for 1997 to 1998, were within low-income census tracts. This represents 5.5 percent of the total dollar volume within the assessment area. As illustrated above, the small percentage of owner-occupied properties within the low-income census tracts limits the lending opportunities in those areas. However, Washington Savings Bank was still able to grant 6.9 percent of its loans in these tracts despite the low owner-occupancy level of 1.6 percent.

Additionally, 59 loans or 27.1 percent were within moderate-income census tracts, which exceeds the 20.7 percent of the area's owner-occupied housing for moderate-income tracts. The distribution by dollar amount to moderate-income census tracts was

30.1 percent. The majority of the bank's residential loans (66.0 percent) are located in middle-income census tracts.

A comparative analysis of Washington Savings Bank's lending performance by census tract income category was also conducted to compare the bank to all other HMDA-reporting lenders in the assessment area and the peer group. Refer to the following table.

**1997 Lending Within the Assessment Area by Census Tract Income Level**  
**Washington Savings Bank Compared to All Other HMDA-Reporters & the Peer**  
**Group**

Census Tract Income Level	Washington Savings Bank		All Other Reporters		Peer Group	
	#	%	#	%	#	%
Low	8	7.6	122	2.3	11	1.8
Moderate	32	30.5	910	17.1	78	12.7
Middle	65	61.9	4,151	78.2	509	82.8
Upper	0	0.0	126	2.4	17	2.7
Total	105	100.0	5,309	100.0	615	100.0

Source: HMDA Data for the period 1/1/97 to 12/31/97.

As demonstrated above, the percentage of the bank's lending activity by number in low-income census tracts greatly exceeds that of the aggregate and the peer group. The percentage of Washington Savings Bank's lending activity in low-income census tracts was 7.6 percent by number. In comparison, the aggregate originated 2.3 percent and the peer group had 1.8 percent in the low-income census tracts. Additionally, 30.5 percent of the bank's loans by number were to moderate-income census tracts. This also greatly exceeds the aggregate, at 17.1 percent by number and the peer group at 12.7 percent in moderate-income census tracts.

The bank's lending within low and moderate-income census tracts by dollar amount was similar to the distribution by number. Washington Savings Bank exceeded the aggregate and the peer group percentages by dollar amount in both the low and moderate-income census tracts.

The distribution of the bank's lending by census tract income levels shows that the bank does not exclude low or moderate-income census tracts. Based upon the analysis by owner occupied properties and the aggregate and peer group comparison the geographic distribution of Washington Savings Bank's HMDA-reportable lending is considered to exceed the standards for satisfactory performance.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

## **REVIEW OF COMPLAINTS**

A thorough review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

## **FAIR LENDING POLICIES AND PRACTICES**

Washington Savings Bank has established a Policy Statement on Discrimination in Lending that is incorporated into the bank's lending policy. It is the bank's policy to detect and eliminate discrimination in lending. Detailed below is the bank's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

### **Staff Training**

Washington Savings Bank's training program makes use of videos from Bankers Training and Consulting Company. In January of 1999 the bank held training on mortgage fair lending, mortgage loan compliance including Regulation B and CRA regulations.

### **Staff Composition and Compensation**

The bank has a staff of 39 full-time and 7 part-time employees, 2 of which are minorities. The bank employs several individuals who speak a foreign language including Spanish, Italian, French, Portuguese and Khmer.

The bank does not compensate any of its three loan originators on a commission basis, thereby encouraging loans of all amounts including those to low and moderate-income individuals.

### **Outreach**

Bank management ascertains the credit needs of the assessment area through active involvement by bank officers in numerous community organizations and affordable housing programs. These organizations include but are not limited to Habitat for Humanity of Greater Lowell, Cambodian American League of Lowell, Downtown Lowell Business Association, Small Business Assistance Center of Lowell, and the Middlesex Shelter.

### **Credit Products and Underwriting Standards**

The bank evaluates both the products it offers and its product mix on a continuing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the needs of the assessment area.

Washington Savings Bank offers its own First Time Home Buyers program with flexible underwriting standards and debt ratios. The bank originated 9 loans under this program totaling \$715,720 in 1997 and 9 loans totaling \$702,593 in 1998.

## **Marketing**

Washington Savings Bank's advertising reaches individuals of all income levels and effectively covers the entire delineated assessment area. The bank utilizes newspapers, cable television and radio to advertise its credit products and services. The bank advertises in newspapers throughout its assessment area, including The Lowell Sun, The Merrimack Journal, The Dispatch News, and Rumbo, a local Spanish newspaper.

## **Credit Education**

Washington Savings Bank continuously participates in efforts to educate consumers on the home buying process. The bank participates in The Merrimack Valley First Time Home Buyers educational sessions, which is conducted in English, Spanish and Khmer. Additionally, the bank's CRA officer conducted sessions on Home Budgeting and Credit for participants in the Lowell Adult Program in 1997.

## **Counseling**

The bank refers all loan customers whose home loan is delinquent to the appropriate credit counseling services available in the area. A form containing the names, addresses and phone numbers of various counseling agencies is mailed to the borrower.

## **Second Review Practices**

Washington Savings Bank has a second review policy in place in which each denied first mortgage application is reviewed by the president and vice-president. The review of the application is done prior to the applicant receiving an adverse action notice.

## **Internal Control Procedures**

The bank's CRA Committee reviews the HMDA/LAR data on a periodic basis during its regular meetings. The loan distribution is reviewed to insure that the loan portfolio and new loans are representative of the community demographics.

## **Minority Application Flow**

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. In 1997 and 1998, the bank received 255 residential loan applications from within its assessment area. During this period, 30 applications or 11.8 percent, were received from minorities. Refer to the following table for further details.

### **APPLICATION FLOW**



Race	1997		1998		Total	
	#	%	#	%	#	%
American Indian	1	0.8	0	0.0	1	0.4
Asian	4	3.3	8	6.0	12	4.7
Black	2	1.7	4	3.0	6	2.4
Hispanic	5	4.1	5	3.7	10	3.9
Other	1	0.8	0	0.0	1	0.4
<b>Total Minority</b>	<b>13</b>	<b>10.7</b>	<b>17</b>	<b>12.7</b>	<b>30</b>	<b>11.8</b>
White	108	89.3	117	87.3	225	88.2
<b>Total</b>	<b>121</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>	<b>255</b>	<b>100.0</b>

The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 1997 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 Census Data, the bank's assessment area contained a total population of 164,544 individuals of which 15.4 percent are minorities. The minority population is 0.1 percent American Indian, 7.4 percent Asian, 1.2 percent Black, 6.6 percent Hispanic and 0.1 percent other.

Aggregate information indicated that, of the 7,622 HMDA-reportable applications received from other banks within the assessment area in 1997, 8.8 percent were from minorities: 0.4 percent from American Indians, 4.6 percent from Asians, 0.9 percent from Blacks, 2.0 percent from Hispanics and 0.8 percent from Other Minorities.

In comparison, Washington Savings Bank's minority application flow (10.7%) is above that of the aggregate.

### **QUALIFIED INVESTMENTS AND SERVICES**

Upon management's request, the bank's performance in the area of qualified investments and services was reviewed. To be considered for review, an investment or service must meet the definition of community development. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies.

The bank's activities in these areas enhance credit availability within its assessment area and contribute to the overall rating of High Satisfactory.

#### ***Retail Services***

Washington Savings Bank's main office is located within a low-income census tract in the City of Lowell. To provide better access to its customers, the bank opened a full service branch office in Dracut in October of 1997 and a full service branch office in Tyngsborough in October of 1998. Automated Teller Machines (ATM) are maintained at all locations, and the bank offers drive-up service with extended hours.

The bank is a participant in the Massachusetts Community and Banking Council's (M.C.B.C.) Basic Banking for Massachusetts program. The purpose of this program is to encourage banks to offer low-cost checking and savings accounts for people with modest incomes. The bank offers a Basic Checking NOW and a Basic Savings Account that require a minimum \$10.00 balance to open and maintain the accounts.

In addition, the bank is a participant in the public assistance check direct deposit program, the government check cashing program, and SUM.

### **Community Development Services**

The revised CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Washington Savings Bank's officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are Washington Savings Bank's qualified community development services.

***Alternative House:*** The Executive Vice President serves on the Transitional Housing Committee of this organization. The Alternative House provides protective shelter for victims of domestic violence.

***Cambodian American League of Lowell:*** The Executive Vice President and the CRA Officer both participated in the Micro Enterprise Committee of this organization. This organization provides training and guidance on businesses to the Cambodian community in Lowell. Individuals who complete several training sessions are provided the opportunity to apply for a small start-up loan .

***Downtown Lowell Business Association:*** The CRA Officer continues to be the treasurer of this association. This association is working to revitalize and expand business opportunities within the City of Lowell. The downtown section of the city has both low and moderate-income areas.

***Habitat for Humanity:*** The bank's CRA Officer was the president of the local chapter of this organization through 1998. This organization builds or rehabilitates residential properties for low-income families.

***Lowell Adult Education Program:*** This program assists non-English speaking individuals in developing basic language skills. In 1997, the bank's CRA Officer conducted four seminars on banking to approximately 300 individuals. The seminars were entitled "Credit

and You”, and “The Money System”. The attendees were primarily Spanish and South East Asian.

***Merrimack Valley Housing Partnership:*** This non-profit, private organization works in conjunction with various agencies to provide financial and counseling assistance to homebuyers throughout the Merrimack Valley. Participants are made aware of several financing alternatives and can select those that most closely meet their individual needs. The majority of participants are low and moderate-income individuals. A loan officer and a branch manager of the bank serve as mortgage counselors for this organization and participate in its first-time homebuyer’s seminars.

***Middlesex Shelter Inc.:*** The Executive Vice President of the bank served as a director and treasurer of this homeless shelter through July of 1998.

***Small Business Assistance Center:*** As a member of the Small Business Assistance Center, the bank’s CRA Officer counsels owners of small businesses on general strategic planning and accounting issues. This organization is a satellite office of the Small Business Administration, which is dedicated to providing guidance to new and growing small businesses.

***Alternative House:*** In 1998, Washington Savings Bank sponsored the Alternative House and a local property owner to obtain Affordable Housing Program grants through the Federal Home Loan Bank. By sponsoring the grant, the bank commits to oversee completion of the projects and to ensure it remains as affordable housing for low and moderate-income individuals.

## **Investments**

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose.

Washington Savings Bank’s qualified investments consist solely of contributions. In 1997 and 1998, the bank donated \$35,978 of which approximately 21 percent was considered qualified. Detailed below are some of the organizations that Washington Savings Bank contributes to annually.

***Alternative House:*** This battered woman’s shelter provides protective housing for women in need.

***Center City Committee Inc.:*** This committee consists of a group of businesses and individuals working to improve the City of Lowell’s downtown area, which is designated as a low-income census tract.

***Coalition for a Better Acre:*** This organization was created to improve a low-income neighborhood in the City of Lowell.

**Community Teamwork Inc.:** This entity is a coalition of businesses and individuals working to enable low-income people to become self-sufficient, eliminate the roots of poverty and advocate on issues that affect the poor. This organization maintains facilities throughout the Merrimack Valley.

**Consumer Credit Counseling Services of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals. The bank contributes to this organization annually. Washington Savings Bank was instrumental in establishing an office in the City of Lowell.

**Habitat for Humanity:** This not-for-profit organization assists families in attaining home ownership through self-help and outside donations of cash, materials and labor. Home construction/rehabilitation is accomplished primarily through volunteer laborers who build houses that are then sold to selected low-income families.

**House of Hope:** This battered women and homeless shelter is located in the City of Lowell.

**Hunger Homeless Commission:** The bank annually donates to this consortium of hunger and homeless groups in the community. Members of the bank also assist in fundraising for this group.

**Lowell Housing Authority:** The bank's donation was earmarked for the Residents First Program, which builds, develops or rehabilitates affordable housing to help individuals move from public housing to home ownership.

**Merrimack Valley Food Bank:** This local food bank is located in the City of Lowell in a low-income census tract.

**Merrimack Valley Housing Partnership:** Refer to qualified services above for a description of organization.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## WASHINGTON SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 3, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_